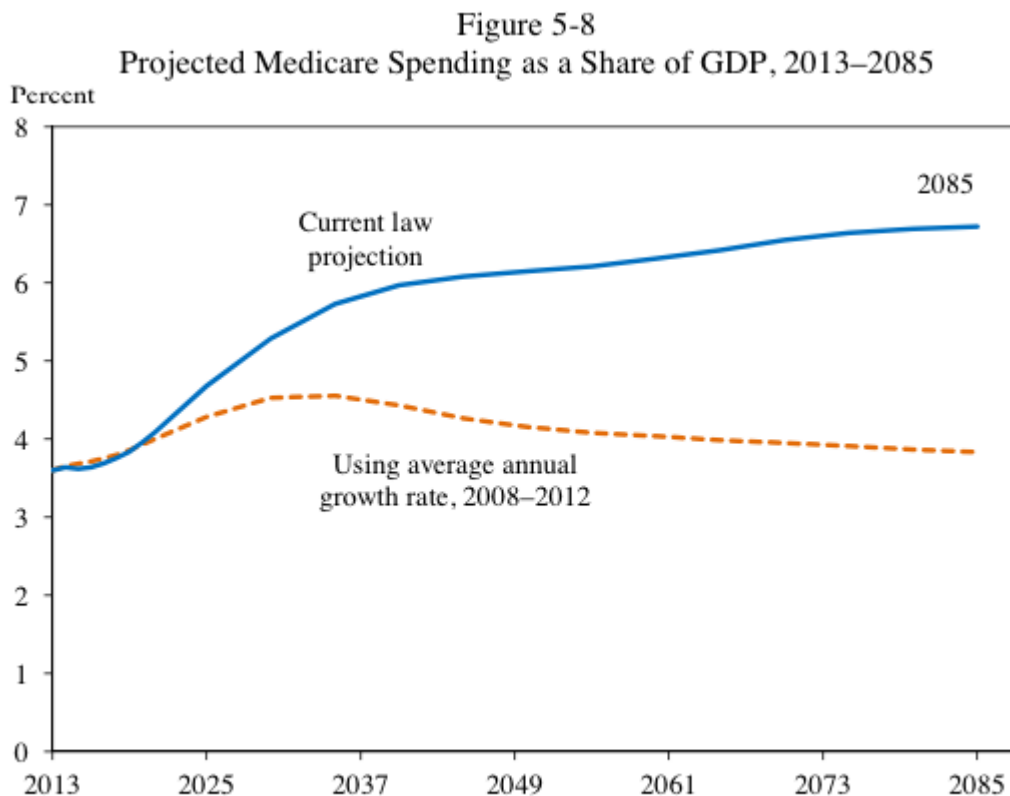


MEDICARE RHETORIC VERSUS REALITY : THE REPUBLICAN BUDGET VERSUS THE ACA

Dear Democratic Colleague,

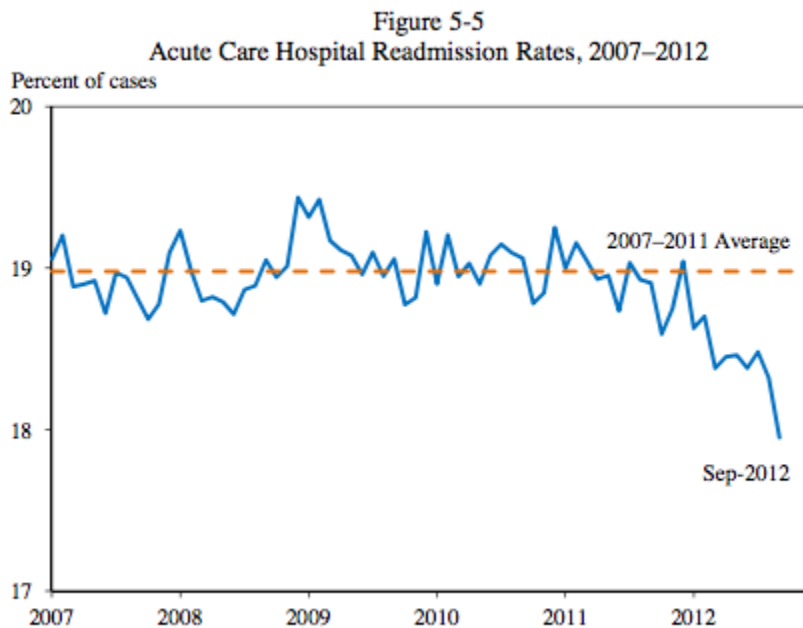
As we continue to pursue a balanced approach to deficit reduction in the budget, we wanted to bring your attention to [this recent Washington Post article](#) that highlights progress in substantially slowing Medicare spending.

Since enactment of the Affordable Care Act (ACA) three years ago this month, Medicare per capita spending has been growing at a historically slow rate. The chart below is originally from the Economic Report of the President and was cited in the article. By comparing Medicare as a percent of the economy under projections versus the post-ACA trend, the effectiveness of the ACA and subsequent changes become clear. We really do seem to be “bending the curve” for Medicare health care spending.



Source: Medicare Trustees (2012); Social Security Trustees (2012); CEA calculations.

In addition, the ACA's policy to minimize preventable readmissions is working. As shown in the chart below, preventable readmissions have declined by about six percent. This is just one policy, but CMS has other promising delivery system reform demonstrations from the ACA underway.



In contrast to the real and future savings touted in the article, CBO analyses found the Republican plan would *raise* overall national health expenditures by shifting tens of millions of people to a more costly system. CBO has also consistently found that the Republican plan will shift costs – thousands of dollars annually – to beneficiaries.

In light of the Republicans' continued efforts to destroy the Medicare program, we would like you to keep these facts in mind. We don't have to destroy Medicare under the guise of strengthening it. Just look at the Affordable Care Act.

Sincerely,

Sander M. Levin
Ranking Member
Committee on Ways and Means

Jim McDermott
Ranking Member
Subcommittee on Health
Committee on Ways and Means

Want to debate Medicare costs? You need to see this chart first.

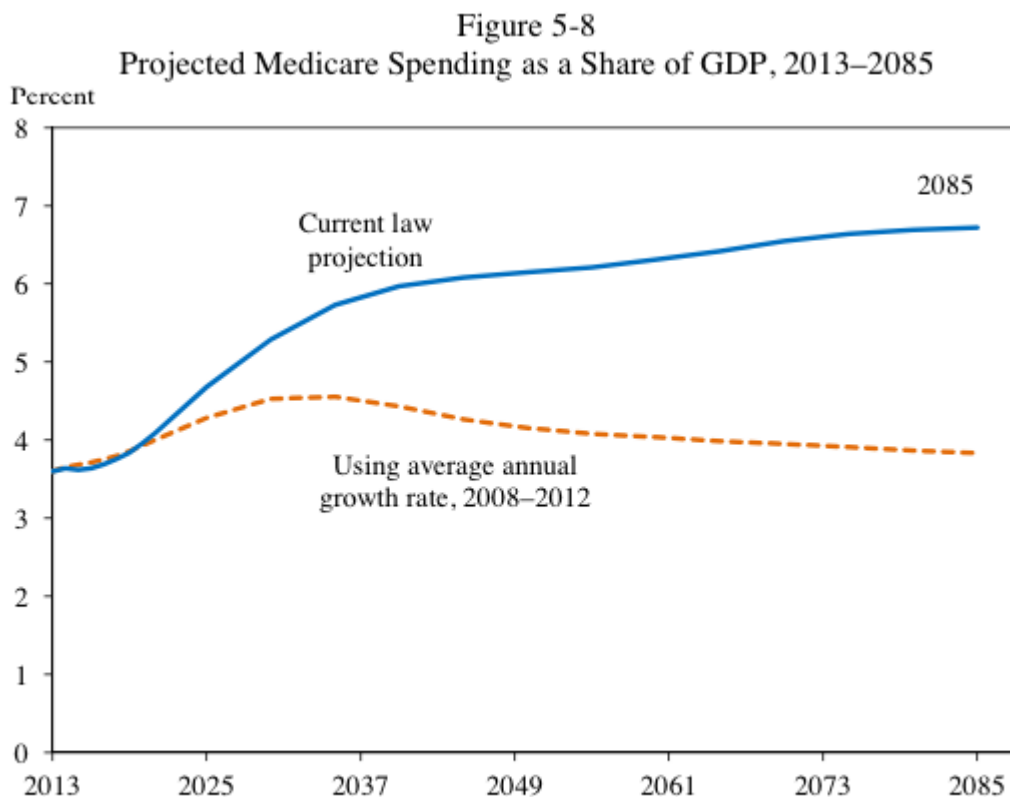
Posted by [Sarah Kliff](#) on March 15, 2013 at 9:53 am

It's taken as an article of faith inside the beltway: Policy makers need to do something to tamp down on out-of-control health-care costs.

If we don't get our Medicare and Medicaid spending under control, the thinking goes, it will crowd out spending on other important budget items, things like defense or education.

President Obama agrees with this [idea](#). So [does](#) House Budget Chairman Paul Ryan. But what if, it turns out, both parties have gotten it all wrong?

The White House is out Friday with its annual [Economic Report of the President](#). It contains this chart that shows Medicare as a percent of the economy if it grows on pace with prior projections — or if it grows at the same rate as it has since 2009. The difference is very stark.



Source: Medicare Trustees (2012); Social Security Trustees (2012); CEA calculations.

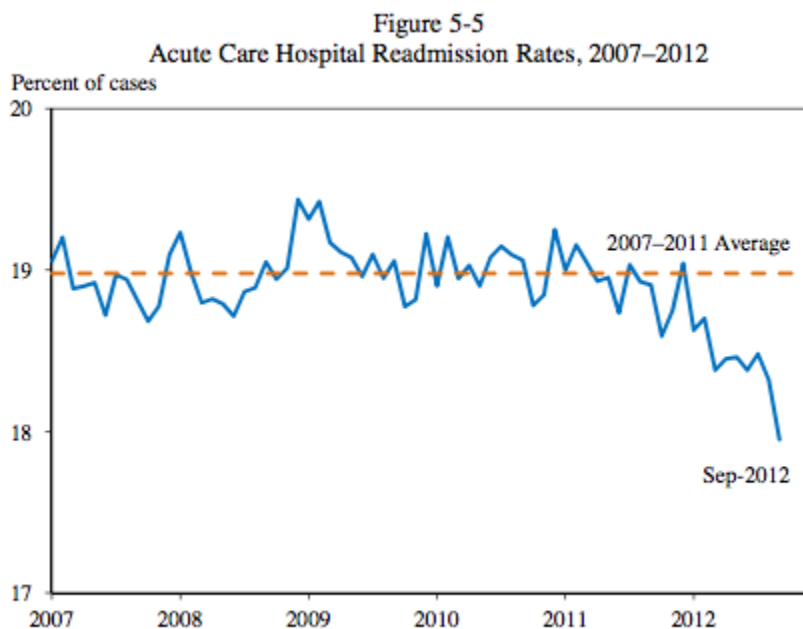
The reason for that yawning difference: Health-care costs growth has seen a steep decline over the past few years. Instead of outpacing the rest of the economy, it has grown at the exact same rate.

If that cost growth persists, it could make all the difference for Medicare: The entitlement program would, by 2085, make up 4 percent of the economy instead of the previously projected 7 percent.

The “if” there is crucial: We don’t know whether this cost growth slowdown is permanent or temporary, a factor of Americans cutting back on care during the recession.

This report presents some evidence to believe that the downturn could be here to stay. It includes data on the level of hospital readmissions for Medicare patients. These are typically considered a sign of unnecessary, costly care — patients don’t usually return to the hospital because they’re feeling in top shape.

For years now, that number has hovered around 19 percent of patients being readmitted to the hospital. Then, in September 2012, it dropped down to 17.8 percent.



Source: Center for Medicare and Medicaid Services, Office of Enterprise Management.

It’s unclear what role the Affordable Care Act played in that drop. The law does penalize hospitals for these types of repeat visits, although the penalties didn’t kick in until [October 2012](#). It’s possible, but not a certainty, that this drop reflects hospitals getting ready for the new changes.

Either way, this data underscores how important the changes happening in our health-care system, right now, will be to the future of health-care spending. If they stick around, they could completely reorient the typical Washington discussion of Medicare as a budget-buster.